



FROM WATCHDOG WIRE - CALIFORNIA

Who collects your taxes in CA? Q&A with BOE Vice Chair Steel

Vice Chair Michelle Steel answers our questions

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The nonpartisan California State Auditor's office [recently released a report](#) detailing California's "net worth" as a state. We are... wait for it... \$127.2 BILLION in the red. This doesn't even include unfunded pension obligations and retiree health care costs. Eventually that bill will need to be paid. And the CA [Board of Equalization \(BOE\)](#) will have an important role in that implementation.

We asked [Michelle Steel](#), Vice Chair of the BOE, a few questions about their role in the California State tax system. Did you know that "innocent until proven guilty" doesn't count in tax law? That it takes THREE separate agencies to collect taxes in California? For that and more valuable information, read below:

1. What role do BOE members play in shaping or implementing CA tax policy?

"Established in 1879 by a constitutional amendment, the BOE was initially charged with responsibility for ensuring that county property tax assessment practices were equal and uniform throughout the state. Currently, the Board administers over 30 tax and fee programs, including sales and use taxes, property taxes, and special taxes and fees. Board members are also the appellate body for most of the state's tax disputes including income and corporate taxes.

The BOE is the only elected tax board in the nation, and as such, members are directly accountable to their constituents for the way they administer state taxes. Although the Board has no authority to create or eliminate taxes or fees, it is the Board's job to interpret the laws passed by the Legislature and create regulations that govern the tax programs under our authority. The Board also sponsors legislation each year to improve tax administration. Members also sponsor legislation individually."

2. What are some of the most common misconceptions citizens have about state taxes?

"The most common reporting errors BOE sees on tax returns are mistakes with the use tax, which is charged on untaxed purchases from out of state, and reporting issues with items that businesses take out of their inventory for their own use.

Another common error related to the Board's appellate function, is that many taxpayers believe tax law works like criminal law, where you are always innocent until proven guilty. In tax law, the burden of proof is on the taxpayer. This unjust system means that taxpayers must take the time and spend the money to disprove charges leveled against them by the tax agency, often with little knowledge of tax law."

3. How do incentives work? Credits? Sales tax holidays?

"The goal of sales tax holidays is to promote shopping and boost business activity. However, studies by the [Tax Foundation](#) and others have shown that sales tax holidays do not have the desired effect. Instead of increasing sales, sales tax holidays tend to shift the timing of sales so consumers end up buying products they would have purchased anyway, except they're doing it tax free. I believe that a more efficient method of boosting economic activity through the tax code would be to lower taxes year round to a level low enough that it won't stop shoppers from buying the products they want.

California does not have a statewide sales tax holiday, but they have been implemented by some local governments.

The state does have other credits and exemptions for different products. Some exemptions, such as those for off-road diesel and certain machinery exist to protect farmers and manufacturers from paying increased taxes on the tools they use to run their businesses. Others, such as exemptions on natural gas and film production are used to promote those economic activities in the state."

4. How can we make our tax code simpler and more citizen-friendly?

"I believe that the first step to recognize when talking about making the tax code simpler and more citizen-friendly, is that taxpayers don't exist as ATM machines for the state. Each Californian is an individual – often with a family to support – that works hard every day to earn his or her own success. Too often, the state treats taxpayers not as individuals but as cash machines who it burdens with rules, regulations, publications, forms and tax returns, in order to take as much as it can to fund state programs.

From an administrative perspective, the first step then is to simplify tax collections. California currently has three main tax collection agencies, the [Franchise Tax Board](#), the [Employment Development Department](#) and the BOE. Only one of those, the BOE, is elected and therefore directly accountable to Californians. These agencies should be consolidated.

Second, the state should use available technology to make filing tax returns and dealing with tax agencies as easy as possible. This is something we are working hard on at the BOE. Today Californians can register with the board, file and pay their taxes, and seek refunds with just a few clicks online. Through consolidation of functions and the use of

newly available technology, we can continue to increase efficiencies and decrease costs for taxpayers.

Finally, Legislators and other policymakers should go through the tax code and recognize that so many of the various fees and taxes imposed by the state create disincentives for economic growth and hurt Californians working hard to make a living. Tax rates should be reduced so that Californians have more in their pockets with which to boost our economy and help their neighbors.”

Conclusion

A frequent theme of my posts is that I am not against paying taxes per se. I am against paying taxes that fund waste, fraud, and abuse. And the only way to avoid the later is for an informed citizenry to remain watchful! Do you know who your BOE is? Had an issue with unfair tax assessment? According to VC Steel, “taxpayers can also meet directly with their elected Board member by calling their offices and scheduling an appointment.” Remain watchful, MJ